



ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

MCQ

Objective Type Questions

1. (i) Receipts and Payments Account shows the receipts and payments of revenue nature only.
- (ii) Receipt from the sale of an old asset is an income.
- (iii) Receipts and payments Account in a summary of cash transactions.
- (iv) Surplus of Non -Trading Organisation distributed among the member .
- (v) Income and Expenditure Account is equivalent to the profit and loss Account of a business enterprise.
- (vi) Proceeds from the sale of old newspapers are taken as income.

- (vii) Receipts and Payments Account shows total income and expenditure.
- (viii) Only revenue nature items are shown in the income and Expenditure Account.
- (ix) Scholarships granted to students provided by government is debited to Income and Expenditure Account.
- (x) Payment of honorarium is a revenue expenditure.
- (xi) Any expenditure relating to special fund is deducted from that special fund.
- (xii) Loss on sale of fixed asset is debited to Income and Expenditure Account . Whereas gain (profit) on sale of fixed asset is credited to Income and Expenditure Account.



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2. (i) Receipts and payments Account is _____ of the year 's _____.
- (ii) In the Receipts and Payment Account, receipts are shown on the _____ side.
- (iii) Credit balance in the income and Expenditure Account means excess of _____ over _____.

- (iv) Income and Expenditure Account shown all _____ receipts and _____ payments for an accounting year.
- (v) Subscriptions received in advance by a club are shown on the _____ side of the Balance Sheet.
- (vi) Life Membership Fess received by a club is shown in the _____.
- (vii) Excess of expenditure over income is _____ Capital Fund in the Balance Sheet.
- (viii) Income and Expenditure Account is prepared by _____ concerns.
- (ix) Match Fund of Rs. 1,000 appears in the books . Match expenses for a year amount to Rs. 1,200. _____ will be debited to the Income and Expenditure Account.
- (x) If expenditure is Rs. 16,000 and surplus credited to Capital Fund Rs. 4,500, income , is _____.



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3. (i) Current Accounts are maintained in case of fluctuating capital system.
- (ii) Partners are entitled to get interest @6% p.a. on the loan given to the firm , if Partnership Deed is silent on the issue.

- (iii) At least two persons are necessary to form a partnership.
- (iv) In the absence of a agreement , profits and losses are distributed among the partners equally.
- (v) a partner who devotes more time to a business than others is entitled to get a salary .
- (vi) A partner who has invested more capital in the firm is entitled to get interest on the difference in capital amount.
- (vii) When a partner draws a fixed sum at the end month for 12 months, interest on total drawings will be equal to interest of $5\frac{1}{2}$ months at an agreed rete per annum.
- (viii) When a partner draws a fixed sum in the middle of each month for 12 months , interest on total drawings will be equal to intersts of 6 month at an agreed rate per annum.
- (ix) If the Partnership Deed is silent , interest @6% would be charged on the drawings made by the partner .
- (x) Interest on partner 's loan is to be given @10% p.a. if silent about the rate
- (xi) Valid partnership can formulated even without a written agreement between the partner.

(xii) Partners are mutual agents of each other so far as the business of firm is concerned.



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4. Current Accounts of the Partners should be opened when the capitals are _____.

(ii) in the absence of an agreement, interest on partner 's loan shall be paid o _____.

(iii) In the absence of an agreement , partners shall _____ salaries.

(iv) When there is no agreement among the partners, the profit or loss of the firm will be shared _____ by the partners.

(v) _____ is an extension of Profit and Loss Account .

(vi) Minimum number of persons required to start partnership business is _____

(vii) Number of partners which should not exceed for partnership business is _____.

(viii) Salary or Commission to a partner is an _____ out of profit.



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5. (i) Efficiency of management does not affect the goodwill of business.
- (ii) Purchased goodwill may arise on acquisition of an existing business .
- (iii) Goodwill can be defined as the present value of anticipated profits.
- (iv) Self - Generated Goodwill is recorded in the books of account as some consideration is paid for it.
- (v) Under capitalisation of Super profit Method, goodwill is ascertained capitalising the Super profit on the basis of Normal Rate of Return.



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6. (i) Goodwill is an _____ asset , but not a _____ asset.
- (ii) Goodwill is a capitalised value of _____.
- (iii) Under Average Profit Method , goodwill is calculated by multiplying the _____ by a certain number of year's purchase as agreed by the partners.
- (iv) _____ is the excess of actual profit over the normal profit.
- (v) When the business is taken over by another business, the excess of

purchase consideration over its net asset value is referred to as _____.

(vi) The value of goodwill is based on _____ judgment of the value.

(vii) Under _____ method goodwill is the excess of Capitalised value of business over Net Assets.

(viii) Average Profit= _____.

(ix) Any firm that earns only normal profits or is curring loss, normally does not have_____.



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7. (i) Change in profit- sharing ratio of the existing partners result in the reconsitution of the partnership firm.

(ii) Change in profit -sharing ratio does not change the relationship among the existing partners.

(iii) The parners whose shares have decreased as a result of change in profit -sharing ratio are know as sacrificing partners.

(iv) The partners whose shares have increased as result of change in profit -sharing ratio are know as gaining partners.

(v) Reserve, Accumulated profit/Loss should always be distributed at the time of reconstitution of partnership even if the question is silent.

(vi) There is no difference between 'furniture reduced by 20%' and 'furniture reduced to 20%'.

(vii) After revaluation, assets and liabilities may or may not be shown in the Balance Sheet at the revised values.



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8. (i) If the partners of a firm decide to change their profit-sharing ratio, the gaining partner compensates the sacrificing partner by paying the proportionate amount of _____.

(ii) Change in relationship among the partners is _____ of the partnership firm.

(iii) Revaluation of assets on the reconstitution of partnership is necessary because their present value may be different from their _____.

(iv) A change in profit-sharing ratio among the existing partners results in _____ of the partnership firm.

(v) Revaluation Account is a _____ Account.

(vi) Workmen Compensation Reserve is a reserve created out of profit to meet the_____.

(vii) The ration in which all the partners share future profits and losses is known as_____.



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9. (i) Assets are revalued and liabilities are reassessed at the time of admission of a partner.

(ii) Accumulated profits and losses are transferred to Revaluation Account at the time of admission of a partner.

(iii) Contingent liability becoming a certain liability is debited to Revaluation Account at the time of admission of a partner.

(iv) The purpose of Revaluation Account is to ascertain the gain /loss arising on account of Revaluation of Assets and Reassessment of Liabilities.

(v) A new partner is liable for the past losses of the firm.

(vi) On revaluation of assets and liabilities , Capital Accounts of old Partners do not change.

- (vii) Old Partner are no allowed to withdraw the amount of the goodwill brought in by the new partner .
- (viii) Unless agreed otherwise , the new profit- sharing ratio of old partners will be the same as their old profit - sharing ratio.
- (ix) It is necessary that partner should have captials in their profit - sharing ratio.
- (x) A new partner bring goodwill into the firm to acquire right to share the future profit of the firm.



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10. (i) A, B and C share profits and losses in the ratio of $\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$ respectively . D ,a new partner , is given $\frac{1}{8th}$ share . Then new profit - sharing ratio will be _____.
- (ii)The ratio in which the old partners are surrendering their share of profit in favour of the new partner is called _____.
- (iii) Calculation of sacrificing ratio is necessary when the new partner will bring _____ in cash.
- (iv) The capital balance of A and B are Rs.25,000 and Rs. 20,000

respectively after making all the adjustments . If C, the incoming partner , is to bring $1/3rd$ of the total capital of the firm , then his share of capital will be _____.

(v) For any decrease in the value of liability , the Revaluation Account is _____.

(vi) C, the incoming partner , is to bring Rs. 6,000 as goodwill for $1/5th$ share in the firm's profit . Total goodwill of the firm will be _____.

(vii) investment Fluctuation Reserve is a reserve set aside out of profit to adjust the difference between _____ and _____ of investments.

(viii) In case of admission of a new partner , the Accumulated Profits Reserve Losses and Fictition Assets should be transferred to _____ Partner's Capital / Current Accounts in their _____ Profits- sharing ratio.

(ix) If goodwill is appearing in the Balance Sheet at the time of admission of a new partner , the existing goodwill is written - off among _____ partner in _____ ratio.



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11. (i) A Partner can retire from the firm with the consent of all other partner only.

(ii) In the event of death , the combined share of profit of the continuing partners will decrease .

(iii) A family member of the retiring partner will automatically become the new partner in a reconstituted firm.

(iv) Gain or loss on revaluation of assets at the time of retirement of a partner is a capital profit.

(v) In the event of death , profit or loss on Revaluation Account is transferred to the continuing partners in the old profit-sharing ratio.

(vi) The amount due retiring partner , if not paid in cash , is transferred to his Loan Account.

(vii) At the time of retirement/ death , undistributed profits / losses and reserves are distributed among all the partners in their old profit- sharing ratio.

(viii) The amount due to the retiring partner is always settled in cash.

(ix) The firm is under obligation to pay an agree rate of interest for the unpaid balance to the retiring partner.

(x) Gaining Ratio is calculated at the time of retirement or death of a partner and change in Profit -sharing ratio.



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12. (i) The profit or loss shown by the Revaluation Account at the time of retirement of a partner is transferred to the Capital Accounts of the partners in the _____ratio.

(ii) At the time of retirement / death , the undistributed profit - losses and reserves are distributed_____among all the partners in their _____ Profit - sharing ratio.

(iii) Unless agreed otherwise , it is presumed the continuing partners gain in their _____ and hence their _____ is Same as their old profit - sharing ratio.

(iv) _____ is the ratio in which the remaining partners acquire the share of retiring or deceased partner .

(v) At time of retirement or death of a partners in their _____ ratio.

(vi) When firm pays an amount in excess of total amount due to the retiring partner , then excess amount is treated as _____.



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13. (i) Realisation Account is a Real Account.

(ii) On dissolution of a firm is closed , wherse on dissolution of the partnership , the share of the outgoing partner is determlned and the firm is not closed .

(iii) Any amount realised from the unrecorded asset is credited to Realisation Account.

(iv) Goodwill at the time of dissolution is treated like any other asset and is closed by transferring it to Realisation Account .

(v) Assts , when realised , are credited to Realisation Account.

(vi) In dissolution , closing balance of Cash Account will be nil at the end.

(vii) All assets inclusive of cash are transferred to the Realisation Account.

(viii) Dissolution of the firm means the dissolution of the partnership.



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14. (i) When the firm is dissolved , Reserve is transferred to _____ in the profit- sharing ratio.

(ii) Unrecorded liability paid at the time of dissolution of the firm is to be debited to _____ Account.

(iii) When an unrecorded asset is realised at the time of dissolution of the firm, _____ Account is debited and _____ Account is credited.

(iv) Goodwill Account appearing in the books on the dissolution date is closed by transferring it to _____ side of the _____ Account.

(v) Entry for the asset taken over by a creditor is _____ but entry for the net payment to the creditor is made.

(vi) Debit balance of profit and loss Account is transferred to _____ Accounts at the time of dissolution of the firm.

(vii) Expenses of realisation are _____ to Realisation Account.

(viii) Unrecorded asset taken by a partner is _____ to Partner's Capital Account.

(ix) Balance of Realisation Account is transferred to _____.



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15. (i) Authorised Capital is shown in the note to Accounts on share capital.

(ii) Authorised capital for equity share capital and preference share capital is not shown separately in the note to Accounts on share capital

(iii) Issued Share Capital is that part of Authorised share capital that for subscription whether subscribed or not.

(iv) Issued Share Capital can be more than the Authorised Share Capital.

(v) Subscribed capital is that part of issued capital that is subscribed.

(vi) Subscribed capital need not be shown separately for Equity share capital and preference share capital.

(vii) Share on which the company has received the entire nominal (face) value, whether called or not, are shown as subscribed and fully paid - up.

(viii) Share on which the company has not received the call made are shown as Subscribed but not Fully - up.

(ix) A company, at its discretion may or may not prepare note to Account on line item of the Balance Sheet.

(x) Authorised capital cannot be more than share capital.

(xi) Subscribed share capital can be less than or equal to issued share capital but cannot be more.

- (xii) A part of share capital that will be called - up at the time of winding up of the company is reserve capital.
- (xiii) Share can issued to public at a discount.
- (xiv) Share can issued to employees at a discount.
- (xv) Share are always issued at par.
- (xvi) Securities premium received on issue of shares is credited is credited to securities premium reserve Account.
- (xvii) Securities premium reserve can be used for used for issuing partly paid bonus share.
- (xix) Securities premium reserve can be used for writing off preliminary expences.
- (xx) Pro rata allotment is made in the event shares are undersubscribed.
- (xxi) Share cannot be issued unless minimum subscription is received by the company.
- (xxii) If a company does not receive the amount called by it on share , it can forfeit the shares.
- (xxiii) Forfeited share can be reissued by the comapny on the terms as decided by it.
- (xxiv) Profit on reissue of forfeited shares is transferred to capital

redemption reserve.

(xxv) Application Money received over and above the allotment money is always transferred to called in advance Account.

(xxvi) In the case of undersubscription, allotment money and calls amount is demanded on the basis of share applied and shares issued.

(xxvii) Preference shares do not have preferential right as to dividend and repayment of share capital at the time of company's winding up.

(xxviii) Preference shares cannot be issued at premium.

(xxix) Equity share cannot be issued at discount whereas preference share can be issued at discount.

(xxx) Cumulative preference shares mean that arrears of dividend is payable before dividend is paid on preference shares.

(xxxi) Preference share capital is not shown as shareholders' Funds but is shown as long - term Borrowings.



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16. A company issued 50,000 shares of Rs. 10 each for subscription. It received applications for 60,000 shares. It is a case of _____.

- (ii) A company issued 50,000 Shares of Rs. 10 each for subscription . It receives applications for 45,000 share, it is a case of _____ . (iii) A company issued 50,000 Shares of Rs. 10 each for subscription . it receives applications for 40,000 shares, it is a case of where _____ is not receives.
- (iv) A company issued 50,000 Shares of Rs. 10 each for subscription . it receives applications for 40,000 shares , it cannot issue shares as it has not received _____ .
- (v) Shares of Rs. 10 each on which Rs. 8 have been called and received will be shown as _____ .
- (vi) Shares of Rs. 10 each on which the company decides to call Rs.2 at the time of its winding up will be shown as _____ .
- (vii) Shares are allotted on pro rata basis in the case of _____ .
- (viii) Shares are allotted to all the applicants in the case of _____ .
- (ix) A company may receive calls in advance if its _____ so authorises.
- (x) Shares are _____ by a company , if it does not receive the called amount.
- (xi) Gain (profit) on reissue of forfeited shares is transferred to

_____.

(xii) _____ on reissue of forfeited shares cannot be more than the amount forfeited.

(xiii) Shares cannot be issued at a discount except to employees as _____.

(xiv) A company may issue shares for _____ for purchase of assets.

(xv) Shares issued to promoters in lieu of their services are categorised as shares issued for _____.

(xvi) Preference shares can be issued for _____ to promoters or for purchase of business or assets.

(xvii) Preference shareholders have the preferential right to receive _____ before it is paid on Equity Shares.

(xix) Unlike _____ Preference shares , _____ Preference shares are those shares on which dividend , if not paid in one paid in later years.

(xx) In a Balance Sheet , _____ for _____ Share Capital and _____ share Capital is shown separately.



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17. (i) Debenture is an evidence of company's borrowings.

(ii) Shares are not borrowings of a company whereas Debentures are borrowings of the company.

(iii) Unlike shares, debentures can be issued at a discount.

(iv) ABC Ltd . Issued 10,000, 8 % Debentures of Rs. 100 each at Rs. 98 . it is a case of issue of debentures at premium.

(v) Debentures may or may not be secured by a charge on the assets of the company.

(vi) Debentures are relatively riskier than shares.

(vii) Debentures are repaid after repayment of share capital.

(viii) Debentures are normally shown as Long - term Borrowings under Non - current Liabilities.

(ix) Debentures , out of Long - term Borrowings , that are due for redemption within 12 Months from the date of Balance Sheet are shown as Short - term Borrowings.

(x) Debentures are always issued payable in lumpsum.

(xi) Premium received on Debentures is Credited to Securities Premium Reserve.

(xii) A company has issued 5,000, 10 % Debentures of Rs.1,000 each as security for a loan of Rs. 75,00,000. It may or may not pass an entry for the issue of such debentures.

(xiii) Purchase consideration can be paid partly by cheque . an acceptance and balance by issue of debentures at par or discount or premium.

(xiv) Loss on issue of Debentures is written off in the year the debentures are issued from Statement of profit and loss alone.

(xv) Loss on Issue of Debentures is written off in the year the debentures are issued from Securities Premium Reserve , if it exists and then from Statement of Profit and Loss.

(xvi) Debentures Account is credited with the amount received for the debentures.



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18. (i) Debentures are _____ of the company.

(ii) Debenture - holders are _____ of the company.

(iii) Debentures Account is always credited with the _____ value of the debentures.

- (iv) Interest on debentures is paid whether the company _____ or _____.
- (v) An entry may or may not be passed in the Books of Account for Debentures issued as _____.
- (vi) _____ is not paid on Debentures issued as collateral security.
- (vii) _____ is written off in the year when debentures are issued
- (viii) Discount or Loss on Issue of Debentures is written off in the year when debentures are issued first from _____ .
- (ix) A company has loss on Issue of Debentures of Rs.50,000 . It has a balance in Securities Premium Reserve of Rs. 25,000. It Will debit _____ by Rs.25,000 and _____ by Rs.22,000 in the year of issue.
- (x) A company has issued 5,000 , 7% Debentures of Rs. 100 each at a price of Rs.94 . It will credit 7% Debentures Account by _____.
- (xi) A company has issued 5,000 , 7% Debentures of Rs. 100 each at a price of Rs.94 . It will credit 7% Debentures o _____ on _____.
- (xii) Discount or Loss on Issue of Debentures Account will not have _____ at the year end.



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19. (i) Debenture Redemption Reserve is set aside by all companies except All India Financial institutions regulated by RBI and Banking companies.

(ii) Debenture Redemption Investment is made by the companies required to set aside amount to Debenture Redemption Reserve.

(iii) Debenture Redemption Reserve can be used only for redemption of debentures.

(iv) Debenture Redemption Investment (DRI) can be used by a company for any purposes after the debentures have been redeemed.

(v) Debenture Redemption Reserve is not set aside in cash the debentures are fully convertible only into shares.

(vi) Debenture Redemption Reserve is set aside , in the case of partly Convertible Debentures, on the convertible part of the debentures.

(vii) Debenture Redemption Reserve may be set aside by a company out of any reserve.

(viii) Debenture Redemption Reserve is set aside by a company out of amount available for payment of dividend.

(ix) General Reserve can be transferred to Debenture Redemption Reserve.

(x) Surplus .i.e., Balance in Statement of Profit and Loss can not be

transferred to Debenture Redemption Reserve.

(xi) At least 25 % of the redeemable value of debentures should be set aside to Debenture Redemption Reserve before the redemption of debentures.

(xii) If a company sets aside profit to Debenture Redemption Reserve . it means redemption is not fully out of capital.

(xii) If a company sets aside profit equivalent to full nominal (face) value of debentures to Debenture Redemption Reserve, it means redemption is fully out of profits.

(xvi) Redemption of Debentures by banking Company can be redemption purely out of capital.

(xv) Once the debentures are redeemed , the amount of Debenture Reserve is transferred to capital Reserve.

(xvi) Discount or Loss on Issue of Debentures is written off from Securities Premium Reserve as section 52(2) of Companies Act, 2013 permits so



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20. (i) Debentures are redeemed without setting aside amount to Debenture Redemption Reserve (DRR). It is redemption out of _____.

(ii) Debentures are redeemed setting aside full nominal (face) value of debentures to Debenture Redemption Reserve (DRR) . It is redemption out of _____

(iii) Debentures are redeemed setting aside 25 % of nominal (face) value of debentures to Debenture Redemption Reserve (DRR) . It is redemption out of _____

(iv) Amount should be set aside to _____ before the redemption of debentures.

(v) Debenture Redemption Investment (DRI) should be made of an amount at least equal to _____ of the nominal (face) value of the debentures to be redeemed during the year ending March 31 of the next year.

(vi) Debenture Redemption investment (DRI) should be made _____ 30th April of the year in which debentures are redeemed.

(vii) Discount or Loss on Issue of Debentures is a _____

(viii) It is not necessary for _____ to set aside amount to Debenture

Redemption Reserve (DRR).

(ix) It not necessary for the India Financial indtutions regulated regulated by RBI and Banking Companies to invest amount in _____ .

(x) Once the debentures are redeemed, amount of DRR is transferred to _____.



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21. (i) 1,000, 10 % Debentures of Rs.100 each out of 10 ,000 , 10 % Debentures are redeemable within the 12 months of of the date of balance sheet . They will be shoен in the Current Liabilities as Short - term Borrowings in the Balance sheet. Itbtgt (ii) Dividend is paid on paid -up Capital.

(iii) Debentures are shown under the head Other Long - term Liabilites in the Balance Sheet .

(iv) Share Application Money pending Allotment is shown as a line item .

(v) Loose Tools and Stores and Spares and Spares are shown as inventories in the Balance Sheet.

(vi) Bills Receivable is shown as Trade Receivables in the Balance Sheet.

(vii) Reserve Capital is part of Share Capital that a Company resolves not to call at any time it desires.



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22. (i) Shares on which the company has called total nominal value and has also received it is shown in the Note to Accounts on Share Capital under Subscribed Capital as _____.

(ii) Minimum subscription prescribed is _____.

(iii) Shares on which the company has called the total nominal value but has not fully received final call of Rs.2 on 500 shares, the shares on which the final call is not received are shown in the Note to Account on Share Capital under Subscribed Capital as _____.

(iv) A Company has resolved to call Rs. 2 per Share at the time of winding up the company . Rs 2 per share is _____ Capital.

(v) Securities Premium Reserve is shown in the liabilities side in the Balance Sheet under _____

(vi) Trade Payables , unless agreed otherwise , are shown as _____.

(vii) Prepaid Insurance is shown as _____ in the Balance Sheet.



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23. (i) An objective of financial analysis is to determine operating efficiency and profitability.

(ii) Determining operating efficiency and profitability is not an objective of financial analysis.

(iii) Financial analysis is used for credit analysis.

(iv) The purpose of financial statement analysis by trade creditors is to determine whether the amount due to them is safe.

(v) Financial Statement analysis does not ignore qualitative elements.



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24. (i) The objective of financial statement analysis is _____ comparison.

(ii) _____ financial statement analysis is based on one year's data.

(iii) Financial Statement analysis is not free from _____ bias.

(iv) Financial Statement analysis ignores price level changes. It is

its _____.

(v) _____ financial statement analysis of dynamic.

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25. (i) Comparison of value of a firm with those of another firm is termed as inter- firm comparison .

(ii) Comparison of values of two years of the firm is termed as intra - firm comparison.

(iii) Revenue from Operations is not taken as 100 in preparing Common - size Balance Sheet.

(iv) Total of Assets / Liabilities part is taken as base for preparing Common - size Balance Sheet.

(v) Comparative Statements are the tools of financial statement analysis.

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26. (i) Comparative Statement is a tool of _____ analysis.

(ii) Comparative Statement is a technique of _____ of two or more

years.

(iii) In common - size Balance Sheet , each item of Balance sheet is expressed as a percentage of _____

(iv) Comparison of values of two year of the firm is know as _____ comparison.

(v) Comparison of values of two firms is called _____ comparison.



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27. (i) Accounting ratio is a mathematical expression of relationship between two items or group of items in the financial statements.

(ii) Price level changes are ignored in ration analysis. It is an advantage of Ratio Analysis.

(iii) Quick Ratio establishes the relationship between current assets and current liabilities.

(iv) In calculating Debt - Equity ratio ,all external debts are considered.

(v) Debit balance in Surplus , i.e., Balance in Statement of profit and Loss in not deducted to calculate Shareholders' Funds to calculate Debt - Equity Ratio.

- (vi) The objective of calculating Proprietary Ratio is to measure proportion of fixed assets financed by the Shareholders ' Funds.
- (vii) In Debt to Total Assets Ratio , debt includes only long - term Borrowings and Long - term Provisions
- (viii) Interest Coverage ration Shoes the amount of profit avialible to cover the interest.
- (ix) The formula for Trade Payables Turnover Ratio is net Cretit Purchase / Average Trade Receivables.
- (x) Loose tools and Stores and Spares and Turnover Ration are excluded to calculate Working Capital to calculate Working Capital Turnover Ratio.
- (xi) Gross profit helps in fixing selling prices and assessing efficiency of trading activities.



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28. (i) Liquidity Ratios measure _____ solvency of the enterprise.
- (ii) _____ and stores and spares are not considered in computing Current Ratio.
- (iii) Debit balance in Surplus , i.e., Balance in spares are not considered in

computing Current Ratio.

(iv) It is an objective of _____ ratio is to measure proportion of fixed assets financed by the Shareholders' Funds.

(v) _____ establishes the number of times amount invested in trade receivables is turned over in a year in relation to Revenue from Operations.

(vi) The formula for Working Capital Turnover ratio is _____.

(vii) Complete the formula for Inventory Turnover Ratio: Cost of Revenue from Operations/ _____.

(viii) Gross Profit + Other Income - _____ = Net Profit.

(ix) _____ and Operating Profit Ratio are complimentary to each other.

(x) Trade Payable is the sum total of Creditors and _____.



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29. (i) Cash equivalents are short - term , highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant change in value.

(ii) Operating Activities are the principal revenue producing activities or an enterprise and those activities which are not investing or financing activities.

(iii) shares issued to promoters in consideration of their services are shown as Financing Activity.

(iv) Gratuity paid to a retiring employee is an Operating Activity.

(v) Income tax paid is always shown as Operating Activity.

(vi) Dividend paid is always shown as Financing Activity.

(vii) Issue of bonus shares is shown as Financing Activity.

(viii) Debentures issued for consideration other than Cash is shown as inflow under Financing Activity.

(ix) Depreciation and Amortisation are added to net profit before tax and Extraordinary items , they being non- cash expense.

(x) Preliminary expenses paid during the year are added to net profit before tax and Extra - ordinary items and shown as outflow under Financing Activity.



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30. (i) The basis of Cash Flow Statement is _____.

(ii) Debentures issued for consideration other than cash are not shown in the Cash Flow Statement because _____ is not received against the issue.

(iii) Marketable Securities are included in _____

(iv) Current investments are shown as _____

(v) Buy back of own shares is shown as outflow in Financing Activity as _____.

(vi) Share issue expenses paid are shown as outflow under _____.

(vii) Discount/ Loss on Issue of Debentures written off is shown by way of deduction from _____ of the debentures.

(viii) Patents purchased and completely amortised in the year of purchase is added under _____ and shown as Outflow under _____

(ix) Purchase and sale of securities by a financing company is _____.

(x) Purchase of securities by a non - finance company is _____.



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1. Receipts and Payments Account is prepared on

- A. Cash Basis
- B. Time Basis.
- C. Accrual Basis.
- D. None of These.

Answer: a



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2. Income and Expenditure Account is prepared on

- A. Cash Basis
- B. Accrual Basis.
- C. Both (a) and (b)
- D. None of These.

Answer: b



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3. Legacy Donation received by NPO to be used for specific purpose is accounted as

- A. Revenue Receipt.
- B. Capital Receipt.
- C. As an Asset.
- D. None of These.

Answer: b



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4. Life Membership Fee received by NPO is accounted as

A. Revenue Receipt.

B. Capital Receipt.

C. As an Asset.

D. None of These.

Answer: b

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5. Salaries paid during the year ended 31 st March , 2019 is Rs. 36,000 .

Salaries paid in advance at the end of previous year ended 31 st March ,
2019 will be

A. Rs. 54,000.

B. Rs. 36 ,000.

C. Rs. 90, 000.

D. Rs.18,000.

Answer: c



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6. Name the account which calculates Surplus /Deficit of NPO?

- A. Cash Book
- B. Income and Expenditure Account
- C. Receipts and payment Account
- D. Balance Sheet

Answer: b



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7. Main source of Income for a Not - for Profit Organisation is

- A. Rent.

B. Salaries.

C. Donations and Subscriptions.

D. Sale of Assets.

Answer: c



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8. Identify revenue receipt from the following :

A. Donations for Building

B. Subscription

C. Life Membership Fees

D. Legacy donation for Sports fund.

Answer: b



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9. Identify capital receipt from the following:

- A. Life Membership Fees
- B. Rent Receipt
- C. Entrance fees
- D. Sports expenses.

Answer: a



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10. General Donation received by NPO is shown in the

- A. Credit side of income and Expenditure Account.
- B. Debit side of Income and Expenditure Account.
- C. Liabilities side of Balance Sheet .
- D. Assets side of the Balance Sheet.

Answer: a



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11. Specific donation received by NPO is shown in the

- A. Credit side of income and Expenditure Account.
- B. Debit side of Income and Expenditure Account.
- C. Liabilities side of Balance Sheet .
- D. None of These.

Answer: c



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12. Income and Expenditure Account is a

- A. Real Account.

B. Nominal Account.

C. Personal Account

D. None of These.

Answer: b



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13. Receipts and Payments Account is a

A. Real Account.

B. Nominal Account.

C. Personal Account

D. None of These.

Answer: a



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14. Identify the which is not shown under Receipts and payments Account in case of NPO.

- A. Salaries
- B. Rent
- C. Depreciation
- D. None of These.

Answer: c



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15. Compute Rent For the Year ended 31 st March , 2019 from the following

	1.4.2018	31.3.2019
Outstanding Rent	<i>Rs.</i> 19000	<i>Rs.</i> 14000
Prepaid Rent	<i>Rs.</i> 5600	<i>Rs.</i> 104000

Rent Paid during the year *Rs.* 2,97,800.

- A. *Rs.* 2,97,800

B. Rs. 2,88,000

C. Rs. 2,50,000

D. Rs. 2,00,000

Answer: b



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16. Choose NPO from the following :

A. Reliance Industries Limited

B. Indian Hockey Federation

C. Infosys Ltd.

D. None of These.

Answer: b



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17. Furniture as on 31 st March , 2019 Rs. 4,40,000 . Furniture (having Books value as on 1st April ,2018 of Rs 40,000) sold at a loss of 20 % on 31st December , 2018, Furniture is depreciated o 10 % p.a. Furniture costing Rs. 3,00,000 was also purchased on 1st October , 2018 , Calculate Loss sale of Furniture.

A. Rs. 9,400

B. Rs. 6,400

C. Rs. 8,000

D. Rs. 7,400

Answer: d



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18. Subscripion received during the year 2018 -19 : Rs. 1,50,000 . Outstanding Subcription as on 31 st March 2018 : Rs. 1,00,000 . The amount shown as subscription receipt will be

A. Rs. 50,000

B. Rs. 1,50,000

C. Rs. 1,00,000

D. None of these.

Answer: a



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19. Subscription received during the year 2018 -19 : Rs. 1,50,000,

Subscription Rs. 75,000 is outstanding:

A. Rs. 1,50,000

B. Rs.75,000

C. Rs. 2,25,000

D. None of These.

Answer: c

20. Calculate the amount of credit purchase from the following information :

Particulars	1st April 2018 (Rs.)	31 st March , 2019 (Rs.)
Creditors for Stationery	4,600	11,800

During the year ended 31 st March ,2019 , payment made to creditors of Rs. 56,800.

A. Rs. 54,000.

B. Rs. 64,000

C. Rs. 74,000

D. Rs. 44, 000

Answer: b

21. Credit purchase of stationery is Rs. 64,000, which is 80 % of total purchase, compute cash purchase of stationery .

- A. Rs. 16,000
- B. Rs. 24,000
- C. Rs. 8,000
- D. None of These.

Answer: a



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22. Out of the following , which one is a special receipt ?

- A. Subscriptions
- B. Rent Received
- C. Contribution for Annual Dinner
- D. General Donation

Answer: c



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23. Out of the following , which is Unrestricted Fund ?

A. Annuity Fund

B. Sports Fund

C. Capital Fund

D. Endowment fund

Answer: c



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24. How much amount will be shown in Balance Sheet if Sports Fund Rs. 1,00,000 (Opening Balance) , on sports Fund Investments Rs. 5,000,

Tournament Expenses were Rs. 20,000 , Sport Fund Investment Rs. 80,000

?

A. Rs. 85,000

B. Rs. 75,000

C. Rs. 65,000

D. Rs.55,000

Answer: a



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25. The agreement among the partners is called

A. Partnership Deed.

B. Partnership bye laws.

C. Partnership constitution.

D. Any of these.

Answer: a



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26. The agreement among the partners

- A. Should be written
- B. Should be verbal
- C. May be either written or oral
- D. None of These.

Answer: c



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27. The liability of the partners in a partnership firm under indian Partnership Act , 1932 is

- A. Limited.
- B. Unlimited.
- C. No Liability.
- D. Depending on the situation.

Answer: b

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28. Interest on capital is allowed

- A. on the opening capital.
- B. on the capital at the year end.
- C. on average capital of the year.
- D. None of these.

Answer: a

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29. In the absence of the partnership Deeddd, interest on Capital

- A. is allowed @6%per annum.
- B. is allowed @10%per annum.
- C. is allowed at the borrowing rate.
- D. is not allowed.

Answer: d



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30. If a partner draws equal amount in the beginning of each month ,
interest is charged for

- A. 6 months.
- B. $5\frac{1}{2}$ Months.
- C. $6\frac{1}{2}$ Months .

D. 5 months

Answer: c



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31. If date of drawing is not given , interest is calculated for

A. 12 Months.

B. 7 Months.

C. 6 Months.

D. 3 Months.

Answer: c



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32. In case of fixed capitals , partners will have

- A. credit balance in their Capital Accounts.
- B. debit balance in their Capital Accounts .
- C. May have credit or debit balances in their Captial Accounts.
- D. None of the above.

Answer: a

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33. In case of fixed capitals , Partner's Current Accounts will have

- A. credit balances.
- B. debit balances.
- C. credit or debit balances.
- D. None of these.

Answer: c

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34. In case of fixed capitals , interest on capital

- A. is credited to partner's Capital Account.
- B. is credited to partner's Current Account.
- C. may be credited to partner 's Current Account.
- D. None of the above.

Answer: b



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35. In case of fluctuating capitals , interest on capital

- A. is credited to partner's Capital Account.
- B. is credited to partner's Current Account.
- C. may be credited to partner 's Capital or Current Account.

D. None of the above.

Answer: a



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36. Current Accounts of partners are maintained if

- A. capitals are fixed.
- B. capitals are fluctuating.
- C. Both (a) and (b)
- D. None of these.

Answer: a



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37. In the absence of partnership Deed , partners are paid remuneration

- A. ○ Rs. 10,000 per partner per month.
- B. ○ Rs. 20,000 per partner per month.
- C. ○ Rs. Per partner per month.
- D. None of the above.

Answer: d

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38. The interest on Capital of partners under the Fluctuating Capital Accounts Method is credited to

- A. Interest Account.
- B. Profit and Loss Account.
- C. Partner's Capital Accounts.
- D. None of these.

Answer: c

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39. When guarantee is given to a partner by the other partners, deficiency on such guarantee will be borne by

- A. All of the other partners.
- B. Partnership firm.
- C. Partners who gave the guarantee.
- D. None of these.

Answer: c

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40. In the absence of an agreement to the contrary , the partners are

- A. entitled for 6 % interest on their capitals , only when there are profits.

B. entitled for 9% interest on their capitals, only when there are profits.

C. entitled for interest in their capitals at the bank rate , only when there are profits.

D. not entitled for interest on their capitals.

Answer: d



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41. Interest Payable on the capitals of the partners is charged to

A. Profit and Loss Account.

B. Profit and Loss Adjustment Account.

C. Realisation Account.

D. Profit and Loss Appropriation Account.

Answer: d



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42. Interest on partner's drawings under Fluctuating Capital Accounts

Method is debited to

- A. Partner's Capital Accounts.
- B. Profit and Loss Account.
- C. Drawings Account.
- D. None of These.

Answer: a



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43. Which of the following items will not be shown in Profit and Loss

Appropriation Account?

- A. Interest on Capital

B. Commission to a partner

C. Interest on Drawings

D. Interest on Partner's Loan

Answer: d



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44. Which of the following items will not be shown in the debit of profit and Loss Appropriation Account?

A. Interest Capital

B. Commission to a partner

C. Interest on Drawings

D. Salary to partners

Answer: c



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45. Which of the following is not an feature of partnership?

- A. An agreement , oral or written , should exist among the partners.
- B. Agreement should be to carry on lawful business.
- C. All the partner should contribute capital in the firm.
- D. There should be at least two partners.

Answer: c



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46. A manager gets 5% Commission , gross profit Rs. 5,80, 000 and expenses of indirect nature other than manager's commission are : Rs.

1,60,000 . Commission amount will be

- A. Rs. 29,000.
- B. Rs.20,000.

C. Rs. 15,000.

D. Rs. 22,000.

Answer:



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47. Goodwill is

A. an intangible asset.

B. a fictitious asset.

C. Both (a) and (b)

D. None of these.

Answer: a



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48. Goodwill is valued

- A. at the of change in profit - sharing ratio.
- B. at the time of admission of a partner
- C. at the time of retirement or death of a partner.
- D. All of these.

Answer: d



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49. As per Accounting Standard -26,

- A. purchased goodwill is accounted in the books of account.
- B. self-generated goodwill is accounted in the books of account.
- C. both purchased and self - generated goodwill are accounted in the books of account.

D. None of the above.

Answer: a



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50. Which of the following factors decreases the value of goodwill?

- A. Favourable Location
- B. Favourable Contracts
- C. Customer Satisfaction
- D. Continuously incurring losses

Answer: d



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51. Which of the following is not a method of valuing goodwill?

- A. Average Profit Method
- B. Super Profit Method
- C. Capitalisation Method
- D. Discounted Cash Flow Method

Answer: d

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52. Super Profit means

- A. Average profit.
- B. Excess of average profit over normal profit
- C. Normal profit.
- D. None of these.

Answer: b

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53. Purchased goodwill arises at the time of

- A. Closure of business.
- B. Purchase of business.
- C. opening of a new business.
- D. All of these.

Answer: b



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54. Normal profit is calculated to value goodwill

- A. by deducting abnormal gains (profit)
- B. by adding abnormal losses.
- C. by deducting abnormal gains and adding abnormal losses.

D. None of the above.

Answer: c



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55. Goodwill under Average Profit Method means

A. Average profit \times Number of year's purchase.

B. Normal profit \times Number of year's purchase.

C. Super profit \times Number of year's purchase.

D. None of the above.

Answer: a



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56. The formula for Capitalisation of Super Profit Method is

A. Super profit \times Number of year's purchase.

B. Super profit \times 100 \div Normal Rate of Return.

C. (super profit - Normal profit) \times 100 \div Normal Rate Return.

D. None of the above.

Answer: b

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57. Which of the following statement is correct?

A. Goodwill is a' fictious asset.

B. Goodwill is a current asset.

C. Goodwill is a wasting asset.

D. Goodwill is an intangible asset.

Answer: d

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58. The excess amount which the firm gets on selling its business over and above the net value is

- A. Surplus.
- B. Super profits.
- C. Reserve.
- D. Goodwill.

Answer: d



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59. Which of the following is not true in relation to goodwill?

- A. It is an intangible asset.
- B. It is a fictitious asset.
- C. It has a realisable value.

D. All of these.

Answer: b



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60. When Goodwill is not purchased, Goodwill can

- A. not be accounted in the books.
- B. be accounted in the books.
- C. be partially accounted in the books.
- D. be accounted as per the agreement of the partners.

Answer: a



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61. Goodwill of the firm is not affected by

- A. Location of the firm.
- B. Favourable contracts.
- C. Better customer service.
- D. None of these.

Answer: d

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62. Weighted Average Profit Method of calculating goodwill is used when

- A. Profits are not equal.
- B. Profits show a trend.
- C. Profits are fluctuating.
- D. None of these.

Answer: b

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63. Average profit of a business over the last five years was Rs.60,000. The normal commercial yield on capital invested in such business is 10 % p.a. Net capital invested in the business is Rs.5,00,000. Amount of goodwill, if it is based on year's purchase of last 5 year 's super profits will be

A. Rs.1,00,000.

B. Rs.1,80,000.

C. Rs.30,000.

D. Rs.1,50,000.

Answer: c



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64. Under the Capitalisation of Super Profit , the formula for calculating the foodwill is

- A. Super profit multiplied by the rate of return.
- B. Average profit multiplied by the rate return.
- C. Super profit divided by the rate of return.
- D. Average profit divided by the rate of return.

Answer: c

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65. Total assets of a firm including fictitious assets of Rs. 5,000 are Rs. 85,000. Liabilities of the firm are Rs.30,000 . Normal rate of rate of return is 10 % and the average profit of the is firm is Rs.8,000 . Calculate goodwill as per capitalisation of super profit.

- A. Rs. 20,000
- B. Rs.30,000
- C. Rs. 25,000
- D. None of These.

Answer: b



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66. Total capital employed in the firm is Rs. 8,00,000, Normal Rate of Return is 15% and Profit for the year is Rs. 12,00,000 . The value of goodwill of the firm as per capitalisation method would be

- A. Rs.00,000.
- B. Rs. 12,00,000.
- C. Rs. 72,00,000
- D. Rs. 42,00,000.

Answer: c



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67. A firm earns Rs. 1,10,000. The normal rate of return is 10% . Assets of the firm were Rs.11,00,000 and liabilities Rs.1,00,000 . Value of goodwill by capitalisation of average profit will be

A. Rs. 2,00,000.

B. Rs. 10,000

C. Rs. 5,000

D. Rs.1,00,000.

Answer: d



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68. In the event of change in profit - sharing ratio , General Reserve appearing in the Balance Sheet is transferred to Capital Accounts of partners in their

A. sacrificing ratio.

- B. gaining ration.
- C. old profit - sharing ratio.
- D. New profit - sharing ratio.

Answer: c



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69. In the event of change in profit - sharing ratio, Workmen Compensation Reserve appearing in the Balance Sheet is transferred to Capital Accounts of partners

- A. after providig for claim of workmen , if any.
- B. igonoring the claim of workmen, if any.
- C. Both (a) and (b)
- D. None of these.

Answer: a



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70. In the event of change in profit- sharing ratio, investments Fluctuation Reserve

- A. is debited by the amount of fall in value of investments.
- B. is credited by the amount of increase in value of investments.
- C. is debited by the amount of fall and is credited by the increase in value of the investments.
- D. None of the above.

Answer: a



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71. Assets are revalued and liabilities are reassessed at the time of change in profit- sharing ratio so that

- A. assets and liabilities are shown at their present value.
- B. gaining partner is not to advantage and sacrificing partner is not put to disadvantage and vice versa.
- C. Both (a) and (b)
- D. None of the above.

Answer: b



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72. At the time of change in profit- sharing ratio, sacrificing ratio is determined so that

- A. assets and liabilities are shown at their present value.
- B. gaaining partner is not put to an advantage and sacrificing partner is not put to disadvantage and vice versa.

C. gaining partner can compensate the sacrificing partner for the sacrifice of profit share.

D. None of the above.

Answer: c



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73. If the existing profit- sharing ratio among A , B and C of 3:2:1 is changed to 1 : 2 : 3, then the partner (s) whose share will be unaffected is/ are

A. A.

B. B.

C. C.

D. A and C.

Answer: b



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74. X and Y shared profits and losses in the ratio of 3 : 2 With effect from 1st April , 2019, they agreed to share profits equally . Goodwill of the firm was valued at Rs. 60,000. The necessary single adjustment entry will be :

- A. Dr. Capital A/c and Cr,X's Capital A/c with Rs. 6,000.
- B. Dr. Capital A/c and Cr,X's Capital A/c with Rs. 6,000.
- C. Dr. Capital A/c and Cr,X's Capital A/c with Rs. 600.
- D. Dr. Capital A/c and Cr,X's Capital A/c with Rs. 600

Answer: a



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75. X, Y and Z are partners sharing profits in the ratio of 5 : 3 : 2 . They decide to share future profits in the ratio of 2 : 2 : 5 with effect from 1st April , 2019 . They also decide to record the effect of following

revaluations without affecting the book values of assets and liabilities , by passing adjustment entry :

	Book Value (Rs.)	Revised Value (Rs.)
Land and Building	3,00,000	4,50,000
Plant and Machinery	4,50,000	4,20,000
Trade Creditors	1,50,000	1,35,000
Outstanding Rent	1,35,000	1,80,000

The necessary adjustment entry will be :

- A. Dr. Z's Capital A/c and Cr,X's Capital A/c by Rs. 27,000.
- B. Dr. X's Capital A/c and Cr,Z's Capital A/c by Rs. 27,000.
- C. Dr. Y's Capital A/c and Cr,X's Capital A/c by Rs. 27,000.
- D. Dr. X's Capital A/c and Cr,'s Capital A/c by Rs. 27,000.

Answer: a



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76. A, B and C are partners sharing profits in the ratio of 5 : 3 : 2 . They decide to share to future profits in the ration of 2 : 3 : 5. What will be the accounting treatment Workmen Compensation Reserve appearing in the

Balance Sheet on that date when no information is available for the same?

- A. Distributed to the partners in their Capital ratio.
- B. Distributed to the partners in their new profit - sharing ratio.
- C. Distributed to the partners in their old profit - sharing ratio.
- D. Carried forward to Balance Sheet.

Answer: c



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77. A,B and C are partners sharing profits in the ratio of 5:3:2 . They decided to share future profits in the ratio of 2:3:5 with effect from 1st April , 2019 , They also decided to adjust the following accumulated profits, losses and reserves without affecting their book values , by passing an adjustment entry : Profit and loss A/c Rs. 15,000 , General Reserve Rs. 60,000 , Advertising Supense A/c Rs. 30,000. The necessary adjustment entry will be :

A. Dr . C's Capital A/c and A's Capital A/c with Rs.13,500.

B. Dr. A's Capital A/c and Cr. C's Capital A/c with Rs. 13,500.

C. Dr. B's Capital A/c and Cr. C's Capital A/c with Rs. 13,500.

D. Dr. B's Capital A/c and Cr. B's Capital A/c with Rs. 13,500.

Answer: a

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78. Sacrificing Ratio is

A. New Ratio - Old Ratio.

B. Old Ratio - New Ratio.

C. Old Ratio - Gaining Ratio.

D. Gaining Ratio - Old Ratio.

Answer: b

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79. Gaining Ratio is

- A. New Ratio - Sacrificing Ratio.
- B. Old Ratio - Sacrificing Ratio.
- C. New Ratio - Old Ratio.
- D. Old Ratio- New Ratio.

Answer: c



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80. Any change in the relationship of existing partners which result in an end of the existing agreement and enforces making of a new agreement is called

- A. Revaluation of partnership.
- B. Reconstitution of partnership.

C. Realisation of Partnership.

D. None of these.

Answer: b



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81. AB & Co. has 50 partners . It wanted to admit a new partner , Can it do so ?

A. Yes.

B. No.

C. Yes , if all the partners agree.

D. None of these.

Answer: b



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82. The ratio in which old partners agree to surrender their shares in profit in favour of new partner is called

- A. sacrificing ratio.
- B. Gaining Ratio.
- C. Profits - sharing Ratio.
- D. Capital Ratio.

Answer: a



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83. If the adjustment in the values of assets and liabilities at the time of the admission of a partner shows gain (profit), it is credited to the Capital Accounts of

- A. the old partners in their new profit - sharing ratio.
- B. all partners in their new profit - sharing ratio.

C. all partners in their new profit - sharing ratio.

D. None of the above.

Answer: c



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84. X and Y are partners sharing profits in the ratio of 3:2. Z is admitted for $\frac{1}{4}$ th share in profit which he acquires equally from X and Y . The new ratio be

A. 9: 6: 5

B. 19: 11: 10.

C. 3: 3: 2.

D. None of these.

Answer: b



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85. New partner can be admitted into partnership

- A. with the consent of any one partner.
- B. with the consent of partners.
- C. with the consent of all the partners.
- D. with the consent of $2/3$ rd of old partners.

Answer: c



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86. On the admission of a new partner

- A. old firm is dissolved.
- B. old partnership is dissolved.
- C. both old partnership and firm are dissolved.
- D. neither partnership nor firm is dissolved.

Answer: b



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87. When a new partner brings his share of goodwill in cash , the amount is debited to

- A. Goodwill A/c
- B. New partner's Capital A/c.
- C. Cash A/c.
- D. Old Partners' Capital A/cs.

Answer: c



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88. When a new partner does not bring his share of goodwill in cash , the amount is debited to

- A. Cash A/c.
- B. Premium A/c.
- C. New partner's Capital / current A/c.
- D. Old partners Capital / Current A/cs.

Answer: c

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89. If , at the time of admission , balance appears in the profit and loss Account in the books, it is transferred to

- A. profit and loss Adjustment Account.
- B. All Partner's Capital Accounts.
- C. Old Partner's Capital Accounts.
- D. Revaluation Account.

Answer: c

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90. If at the time of admission there is an unrecorded liability , it is

- A. Debited to Revaluation Account.
- B. Credited to Revaluation Account.
- C. Debited to Goodwill Account.
- D. Credited to partners' Capital account.

Answer: a

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91. In the absence of an agreement as to who contribute to new partner's share of profit, it is implied that the old partners will contribute

- A. Equally.
- B. In the ratio of their capitals.

C. In their old profit - sharing ratio.

D. In the gaining ratio.

Answer: c



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92. X and Y are partners in a firm . Their capital accounts show credit balance of Rs. 1,80,000 and Rs. 1, 20, 000 respectively, A new partner Z is admitted with $1/5^{th}$ share in profits . He bring Rs. 1,40,000 for his capital. Value of hidden goodwill at the time of Z's admission will be

A. Rs. 2,60,000.

B. Rs. 2,50,000.

C. Rs. 2,00,000.

D. None of these.

Answer: a



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93. In case of admission of a partner, the entry for unrecorded investments is :

- A. Debit Partners' Capital A/cs and Credit investments A/c.
- B. Debit Revaluation A/c and Credit investments A/c.
- C. Debit Investments A/c Credit Revaluation A/c.
- D. None of the above.

Answer: c

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94. When Revaluation Account is opened and the balance sheet is prepared after the new partnership agreement the assets and liabilities are recorded at

- A. Historical cost.

B. Current cost.

C. Realisable value

D. Revaluation amounts.

Answer: d



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95. Goodwill of a firm of A and B is valued at Rs. 30,000. Goodwill is appearing in the books at Rs. 12,000. C is admitted for $1/4^{th}$ share , amount that will bring for goodwill is

A. Rs. 3,000

B. Rs 4,500.

C. Rs 7,500.

D. Rs. 10 , 500.

Answer: c



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96. Which of the following statement is correct?

- A. Goodwill at the time of retirement of a partner is credited to remaining partner's Capital Accounts in sacrificing ratio.
- B. Goodwill at the time of retirement of a partner is credited to remaining Partners' Capital Accounts in gaining ratio.
- C. Goodwill at the time of retirement of a partner is debited to remaining partners' Capital Accounts in sacrificing ratio.
- D. Goodwill at the time of retirement of a partner to the extent of retiring partner 's Share is debited to remaining Partners ' Capital Accounts in gaining ratio.

Answer: d



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97. Revaluation Account is prepared at the time of

- A. Admission of partner.
- B. Retirement of partner.
- C. Death of partner.
- D. All of these.

Answer: d



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98. Unrecorded assets are

- A. Debited to Revaluation Account.
- B. Credited to Revaluation Account.
- C. Credited to Partner's Capital Account.
- D. None of these.

Answer: b



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99. Balance of Revaluation Account , in case of fixed capitals , is transferred to

- A. Partners' Capital Accounts.
- B. Partners' Current Accounts.
- C. Profit and Loss Account.
- D. None of these.

Answer: b



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100. On the death of partner his legal representatives are entitled to the profit

- A. For the full year.
- B. From the date of death till the finalisation of accounts.
- C. Beginning of the financial year up to date of death.
- D. None of the above.

Answer: c

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101. Increase in liability at the time of retirement of a partner is

- A. Credited to Revaluation Account.
- B. Debited to Revaluation Account.
- C. Debited to Profit and Loss Account.
- D. None of these.

Answer: b

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102. Increase in the value of assets at the time of retirement of a partner is

- A. Credited to Revaluation Account.
- B. Debited to Revaluation Account.
- C. Debited to Profit and Loss Account.
- D. None of these.

Answer: a



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103. Decrease in liability at the time of retirement of a partner is

- A. Credited to Revaluation Account.
- B. Debited to Revaluation Account.
- C. Debited to Profit and Loss Account.

D. None of these.

Answer: a



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104. Decrease in the value of assets at time of retirement of a partner is

- A. Credited to Revaluation Account.
- B. Debited to Revaluation Account.
- C. Debited to Profit and Loss Account.
- D. None of these.

Answer: b



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105. Gaining Ratio is

A. Old profit - sharing Ratio less new profit - sharing Ratio.

B. Old profit - sharing Ratio.

C. New profit - sharing Ratio.

D. New profit - sharing Ratio less old profit -sharing Ratio.

Answer: d



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106. A, B and C are partner sharing profits in the ratio 4:5:3 , C retires and remaining partners decide to share profit in the ratio 7:8 What will be the gaining ratio?

A. 8:7

B. 4:5

C. 1:1

D. None of these.

Answer: a



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107. A, B and C are the partner sharing profits in the ratio 3:2:1 , C retires . What will be the new profit - sharing ratio?

A. 1:3

B. 3:2

C. 1:1

D. None of these.

Answer: b



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108. A,B and C are the partners sharing profits in the ratio 3:2:1, C retires , the new profit - sharing ratio is 3:2. What will be the gaining

ratio?

A. 3:2

B. 1:2

C. 2:1

D. None of these.

Answer: a



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109. A, B and C are the partners sharing profits in the ratio 3: 2: 1, C retires . If A and B purchase the share of retiring partner equally , what will be new profit - sharing ratio ?

A. 7:5

B. 3:2

C. 1:1

D. None of these.

Answer: a



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110. A, B and C are three partners in the firm, sharing in the ratio 2:2:1. B retires from the firm on 31st March, 2019. The firm decides not to raise Goodwill Account. What entry will be passed in the books at the time of retirement of B for the goodwill?

A. Dr. Goodwill A/c, B's Capital A/c.

B. Dr. Goodwill A/c, Cr A's, B's and C's Capital A/c.

C. Dr. A's and C's Capital A/cs, Cr. B's Capital A/c (with B's share of Goodwill in gaining ratio).

D. None of the above.

Answer: c



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111. A, B and C are partners, Sharing profits and losses in 3: 2: 1 , B died , the firm decided to value goodwill on the basis of 3 year's purchase of average of 5 years' profits. The profits of the firm for the last five years before charging interest on capital are Rs. 10,000 , Rs, 9,000, Rs. 11,000 ,Rs. 7,000 and Rs. 8,000 . the capital of the firm stood at Rs. 50,000 and interest rate is 8 % What will be the share of goodwill of B?

A. Rs. 10,000

B. Rs.15,000

C. Rs.21, 000

D. None of these.

Answer: d



112. A, B and C are partners, B retires from the firm , on the date of his retirement stock , sundry debtors and provisions of doubtful debts stand in the Books of Account at Rs. 50,000 Rs. 45,000 and 4,500 respectively . The partners decided to reduce the value of stock to 90 % , provision for doubtful debts to be brought to 15 % of sundry debtors . The entry made for revaluation of stock will be :

- A. Dr. Revaluation A/c - Rs. 5,000 , Cr . Stock A/c -5,000.
- B. Dr. Profit and Loss A/c - Rs. 5,000 , Cr . Stock A/c -5,000.
- C. Dr. B's Capital A/c - Rs. 5,000 , Cr Revaluation A/c - Rs. 5,000.
- D. None of these.

Answer: a



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113. A, B and C are three partner , B retires from the firm , on the date of his retirement stock , sundry debtors and provisions of doubtful debts

stand in the Books of Account at Rs. 50,000, Rs. 45,000 and Rs. 4,500 respectively. The partners decided to reduce the value of stock to 90 % , provision for doubtful debts to be brought to 15 % of sundry debtors . The entry made for provision for doubtful debts will be :

- A. Dr. Revaluation A/c -Rs.2,250, Cr Provision for Doubtful Debts A/c -Rs. 2,250.
- B. Dr. Profit and Loss A/c Rs. 6,750 , Cr Debtors's A/c - 6,750.
- C. Dr. B's Capital A/c -Rs. 6,750, Cr Revaluation A/c - 6,750.
- D. None of these.

Answer: a

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114. Claim of the retiring partner is payable in the following form :

- A. Fully in cash.

- B. Fully transferred to loan Account to be paid later with some interest on it.
- C. Partly in cash and party as loan repayable later with agreed interest.
- D. Any of the above.

Answer: d

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115. A, B and C are partners sharing profit and losses in the ratio of 2: 2: 1 . B retires from the firm , at that time goodwill of the firm was valued at Rs.30,000 . What contribution has to be made by A and C in order to pay B ?

- A. Rs. 20,000 and Rs. 10,000
- B. Rs. 15,000 and Rs. 15,000
- C. Rs. 8,000 and Rs. 4,000
- D. Rs. 6,000 and Rs. 6,000

Answer: c



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116. A, B and C are partners in the firm , sharing profits in the ratio of 2 : 2 : 1. Their Capital Accounts atand as Rs. 50,000 , Rs. 50,000 and Rs. 25,000 , respectively . B retired from the from the firm and balance in the reserve on that date was Rs. 15,000 . if goodwill of the firm is Rs. 30,000 and profit on revaluation is Rs. 7,050 , What amount will be transferred to B's Loan Account?

A. Rs. 50,820

B. Rs. 70, 820

C. Rs. 8,820

D. None of these.

Answer: b



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117. X, Y and Z are partners, sharing profits in the ratio of 2:2:1, Y died on 30th June, 2019 and profit for the accounting year 2018-19 was Rs. 36,000. How much share of profit will be credited to Y, for the period 1st April, 2019 to 30th June, 2019?

A. Rs. 3,000

B. Rs. 2,400

C. Rs. 3,600

D. None of these.

Answer: c



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118. Retiring partner is compensated by the continuing partners in their

A. Gaining Ratio.

B. Capital Ratio.

C. Sacrificing Ratio.

D. Profit - sharing Ratio.

Answer: a



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119. Accumulated profits on the retirement of a partner are

A. Credited to all Partners' Capital Accounts in old profit - sharing ratio.

B. Debited to all Partners' Capital Accounts in old profit - sharing ratio.

C. Credited to remaining Partners ' Capital Accounts in new profit - sharing ratio.

D. Credited to remaining partner ' Capital Accounts in gaining ratio.

Answer: a



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120. Partner 's Capital Account is debited

- A. to record the General Reserve.
- B. to record the gain on revaluation.
- C. to record the profit and Loss A/c (Dr)
- D. to record the shortage of capital brought in

Answer: c



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121. At the time of retirement of a partner , gain (profit) on revaluation is credited to

- A. Capitals Account of retiring partner.
- B. Capital Account of all partners in their old profit - sharing ratio.

C. Capital Accounts of the remaining partners in their old profit - sharing ratio.

D. Capital Accounts of the remaining partners in their new profit - sharing ratio.

Answer: b

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122. As per Section 37 of the Indian Partnership Act , 1932 , the executors would be entitled at their choice to the interest calculated from the date of death till the date of payment of the final amount due to the deceased partner at

A. 6 % p.a.

B. 7 % p.a.

C. 8 % p.a.

D. 10 % p.a.

Answer: a



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123. Which of the following is not the mode of dissolution of the firm?

- A. By Mutual Agreement
- B. On happening of an event
- C. Dissolution by court
- D. Retirement of a partner

Answer:



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124. Premium on issued of shares can be used for

- A. issue of fully paid bonus shares.

- B. writing off preliminary expenses.
- C. writing off discount/ loss on issue of debentures.
- D. All the above.

Answer: d

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125. When shares are forfeited , share Capital Account is debited with

- A. nominal value of shares.
- B. called- up value of shares.
- C. paid - up value of shares.
- D. market value of shares.

Answer: b

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126. If a share Rs.10 issued at a premium of Rs.2 on which the full amount has been called and Rs.8 (including premium) paid is forfeited, the Share Capital Account Should be debited with

- A. Rs.12.
- B. Rs.10.
- C. Rs.8.
- D. Rs. 6.

Answer: b



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127. If the loss on reissue of shares is less than the amount forfeited, the surplus is transferred to

- A. Capital Reserve.
- B. An asset.

C. Revenue Reserve.

D. None of these.

Answer: a



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128. A company has issued 10,000 Equity shares of Rs.10 each and it has called the total nominal value. It has received the total amount , except the final call of Rs.3 on 500 Equity shares will be shown as

A. Subscribed and fully paid - up.

B. Subscibed but not fully paid - up.

C. Issued share capital.

D. None of these.

Answer: b



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129. X Ltd . Forfeited 2,000 shares of Rs.10 each (which were issued at par) held by naresh for non - payment of allotment money of Rs.4 per share . The called - up value per share was Rs.9. On forfeiture, the amount debited to shares Capital Account will be

- A. Rs.10,000.
- B. Rs.8,000.
- C. Rs.2,000.
- D. Rs.18,000.

Answer: d



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130. Green Ltd . Had allotted 10,000 shares to the applicants of 14,000 shares on pro basis. The amount payable on application is Rs.2 per share. Mohan applied for 420 shares . The number of shares allotted and the

amount carried forward for adjustment against allotment money due from Mohan are

- A. 60 shares Rs.120.
- B. 320 shares, Rs. 200.
- C. 340 shares, Rs.100.
- D. 300 shares , Rs.240.

Answer: d



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131. Star Ltd . Issued 10, 000 equity shares of Rs. 100 each at a premium of 20 % Mamta, who has been allotted 2,000 shares did not pay first and final call of Rs. Per share . On forfeiture of Mamta 's shares, amount debited to Securities Premium Reserve Account will be

- A. Rs. 5,000.
- B. Rs. 10,000

C. Rs.15,000.

D. Nil

Answer: d



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132. Anthony Ltd , issued 40,000 equity of Rs.20 each payable as Rs. 5 on application, Rs.7 on allotment and Rs.8 on final call. Company received the due amount but one shareholder holding 250 shares did not pay the allotment money and another shareholder holding 150 shares failed to pay the amount due on final call. Total amount of Calls - in Arrears is

A. Rs.1,750.

B. Rs.3,200.

C. Rs.6,000.

D. Rs.4,950.

Answer: d



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133. Gopal Ltd. Purchased machine of Rs.1,15,000 from India Traders , payment of Rs.10,000 was made by issuing cheque and the remaining amount by issue of equity shares of the face value of Rs.10 each fully paid at an issue price of Rs. 10.50 each . Amount of securities premium will be

A. Rs.6,000.

B. Rs.7,000.

C. Rs.5,000.

D. Rs.4,000.

Answer: c



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134. Mohar Ltd. Forfeited 160 shares of Rs. 10 each on which the holder had paid only the application money of Rs.2 per share . Out of these , 40

Shares were reissued to Gaurav as fully paid for Rs.9 per share. The gain on reissue is

A. Rs.320.

B. Rs.160.

C. Rs.40.

D. None of these.

Answer: c



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135. MIG Ltd. Forfeited 40 shares of Rs.10 each issued at a premium of 4% to Raj had applied for 48 shares . After having paid Rs. (including Rs.2 premium), he did not pay allotment money of Rs.2 (including Rs.1 premium) and on his subsequent failure to pay the first call of Rs. 3 (including Rs. 1 Premium) his shares were forfeited. the amount to credited to Forfeited shares Account is

A. Rs.288.

B. Rs.200.

C. Rs.192.

D. Rs.160.

Answer: b

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136. Deepak Ltd. Offered 5,50,000 equity shares .the call (Rs.8 per share) was received except from Gopal , who holds 4,000 shares has not paid after application money of Rs.2 per share and from shyam who holds 1,000 shares has paid only Rs.6 per share . Gopal's shares were forfeited . the amount of subscribed capital to be disclosed in the Balance Sheet is

A. Rs.39,96,000.

B. Rs.39,74,000.

C. Rs. 49,46,000.

D. Rs.49,74,000.

Answer: b



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137. If a shareholder does not pay his dues on allotment , for the amount due , there will be a

- A. Credit balance in the Shares Allotment Account.
- B. Debit balance in the shares Forfeiture Account.
- C. Credit balance in the Shares Allotment Account.
- D. Debit balance in the Shares Allotment Account.

Answer: d



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138. Sun & Moon Ltd . Invited applications for 25,000 equity shares of Rs.10 each and received 30,000 applications along with the application money of Rs. 4 per share . Which of the following alternatives can be followed?

(i) Refund the excess application money and full allotment to rest of the applicants.

(ii) Not to allot any share to some applicants, full allotment to some of the applicants and pro rata allotment to the rest of the applicants.

(iii) Not to allot any share to some applicants and make pro rata allotment to other applicants.

(iv) Make pro rata allotment to all the applicants and adjust the excess money received towards call money.

A. Only (i) above.

B. both (i) and (iii) above.

C. All of the above.

D. only (ii) above.

Answer: c



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139. Debentures are part of

- A. Shareholders' Funds.
- B. Borrowed Funds.
- C. Borrowings from Bank.
- D. None of these.

Answer: b



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140. Debentures are shown in the Balance Sheet of a company under the head of

A. Non - current Liabilites.

B. Current Liabilities.

C. Share Capital.

D. None of these.

Answer: a



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141. Debentureholders are

A. owbers of the company.

B. lenders of the company.

C. vendors of the company.

D. customers of the company.

Answer: b



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142. Debenture interest is paid

- A. at a predetermined rate
- B. at variable rate.
- C. at a rate based on net profit of the company.
- D. at a rate as determined by the company from time to time.

Answer: a



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143. At the time of issue of debentures, Debentures Account is

- A. credited by the amount received.
- B. credited by the issue price of the debentures.
- C. credited by the nominal (face) value of the debentures.

D. None of these.

Answer: c



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144. When debentures are issued at a discount , the discount is written off

- A. after debentures have been redeemed.
- B. in the year when debentures are issued.
- C. during the life of the debentures.
- D. None of these.

Answer: b



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145. Interest on Debentures is paid on

- A. Amount received on Issue.
- B. Nominal (Face) value.
- C. On Premium.
- D. None of these.

Answer: b



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146. Debentures issued as Collateral Security

- A. are recorded in the books.
- B. are not recorded in the books.
- C. may or may not be recorded in the books.
- D. None of these.

Answer: c



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147. Interest on Debentures issued as Collateral Security is

- A. paid.
- B. not paid.
- C. may or may not be paid
- D. None of these.

Answer: b



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148. Discount or Loss on Issue of Debentures is written off from

- A. Securities Premium Reserve.

- B. Securities Premium Reserve (if it exists) and thereafter from
Statement of profit and Loss.
- C. Statement of profit and loss.
- D. None of these.

Answer: b

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149. Discount on Issue of Debentures is restricted to

- A. 10 %
- B. 20 %
- C. 25 %
- D. None of these.

Answer: d

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150. A company has issued 5,000, 8% Debentures of Rs.100 each at a premium of Rs.10. the prefix 8% is

- A. the rate of interest payable on the debentures.
- B. to distinguish from other debentures issued by the company.
- C. Both (a) and (b)
- D. None of these.

Answer: a

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151. Electronics Ltd. Issued 10,000, 6% Debentures of Rs.100 each at a premium of Rs.10 It will credit 6% Debentures by

- A. Rs. 11,00,000.
- B. Rs.10,00,000.

C. Rs.9,00,000.

D. None of these.

Answer: b



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152. HP Ltd. Issued 5,000, 8 % Debentures of Rs.100 each at Rs.95 . It will credit 8 % Debentures Account by

A. Rs.50,000.

B. Rs.4,75,000.

C. (a) or (b) as it decides.

D. None of these.

Answer: a



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153. Dell Computers Ltd. Issued 10,000, 8% Debentures of Rs.100 each at a premium of Rs.10 on April, 2018. Interest on Debentures for the year ended 31st March, 2019 will be

A. Rs.80,000.

B. Rs.88,000.

C. Rs.8,000.

D. None of these.

Answer: a



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154. Apple Computers Ltd. Issued 10,000, 7% Debentures of Rs.100 each at a discount of Rs.6 on 1st October, 2018. Interest for the year ended 31st March, 2019 will be

A. Rs.65,800.

B. Rs.32,900.

C. Rs.70,000.

D. Rs.35,000.

Answer: d



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155. Fast Internet Ltd. Issued 10,000 , 7 % Debentures of Rs.100 each at a discount of Rs.6 on 1st October, 2018. These debentures are redeemable at a premium of Rs.4 .Interest for the year ended 31st March , 2019 will be

A. Rs.65,800.

B. Rs.32,900.

C. Rs.70,000.

D. Rs.35,000.

Answer: d



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156. William Pens Ltd . Issued 10,000,7 % Debentures of Rs.100 each at a discount of Rs.4. it has a balance in Securities Premium Reserve of Rs.25,000. It Will write off Discount on Issue of Debentures

- A. Rs.40,000 from Securities Premium Reserve
- B. Rs.40,000 from Statement of Profit and loss
- C. Rs. 25,000 from Securities Premium Reserve and Rs. 15,000 from Statement of Profit and Loss (Finance Cost)
- D. Rs.15,000 from Securities Premium Reserve and Rs.25,000 from Statement of Profit and Loss (Finance Cost)

Answer: c



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157. Luxor pens Ltd. Issued 10,000, 7% Debentures of Rs.100 each at a discount of Rs.4 redeemable at a premium of Rs. 6 .It will write off Loss on Issue of Debentures

- A. from Securities Premium Reserve.
- B. from Statement of profit and loss.
- C. Any of the above.
- D. None of these.

Answer: b



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158. The provisions of the Companies Act , 2013 in respect of redemption of debentures are to protect the interest of

- A. Debentureholders.
- B. Creditors.

C. Shareholders.

D. Bankers.

Answer: a



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159. Premium payable on redemption of debentures is in the nature of

A. Liability Account.

B. Asset Account.

C. Expense Account.

D. None of these.

Answer: a



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160. In case debentures of Rs.10,000 are issued at par but redeemable at a premium of 10 % the premium payable is debited to

- A. Debentures Suspense Account.
- B. Premium on Redemption of Debentures Account.
- C. Loss on Issue of Debentres Account.
- D. Both (a) and (c).

Answer: c



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161. Star Ltd. Has 10,000,9 % Debentures of Rs. 100 each due for redemption at a premium of 5 % . It alrady has a balance of Rs.1,50,000 in Debentures Redemption Resdemption Reserve . How much amount Star Ltd. Is required to transfer to Debentures Redemption Reserve?

- A. Rs.1,00,000.

B. Rs.2,50,000.

C. Rs.10,00,000

D. Rs.10,50,000.

Answer: a



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162. Top Ramen Ltd. Decides to redeem 1,000, 10 % Debentures of Rs.100 each redeemable at 10 % premium. The company will have to invest in specified securities at least

A. Rs.15,000.

B. Rs.16,500.

C. Rs.25,000

D. Rs.27,500.

Answer: a



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163. 3 Aces Ltd. Decides to redeem 2,000 , 9 % Debentures of Rs. 100 each on 31 st December , 2018. the company should invest in specified securities on before

A. 30th April , 2017.

B. 30th April ,2018.

C. 31 st December , 2017.

D. 31 st December , 2016.

Answer: b



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164. Best Barcode Ltd . Decides to redeem 10,000 , 10 % Debentures of Rs.100 each on 30th june 2018. the company should invest in specified securities on or before

A. 30 th April , 2017.

B. 30th April ,2016.

C. 30 th June , 2017.

D. 30 April , 2018.

Answer: d



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165. Global Savings Bank Ltd. Is to redeem 10,000, 10 % Debentures of Rs.100 each on 30th june , 2018. How much amount should be transferred to DRR by it?

A. Rs.2,50, 000.

B. Rs.1,00,000

C. Rs.5,00,000.

D. Nil

Answer: d



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166. United Commercial Bank Ltd. Is to redeem 40,000, 10 % Debentures of Rs. 100 each on 31 st December , 2018. How much amount should it invest in specified securities?

- A. Rs.6,00,000.
- B. Rs.10,00,000.
- C. Rs.5,00,000.
- D. Nil

Answer: d



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167. Amount is set aside to Debenture Redenption Reserve (DRR) by

- A. All the companies.
- B. All companies except Banking Company.
- C. All companies except all india Financial institutions regulated RBI.
- D. All companies except banking Company and All india Financial institutions regulated by RBI.

Answer: d



View Text Solution

168. Amount is not set aside to Debenture Redemption Reserve (DRR) if

- A. The debentures are not convertible.
- B. The debentures are partly convertible.
- C. The debentures are fully convertible.
- D. None of these.

Answer: c



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169. Amount is not invested in Debentures Redemption investment (DRI)

by

- A. All the companies.
- B. All those companies which are required to set aside amount to
Debenture Redemption Reserve.
- C. Both (a) and (b)
- D. None of these.

Answer: b



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170. Amount is invested in Debentures Redemption investment (DRI) by

- A. The debentures are not convertible.

- B. The debentures are partly convertible.
- C. The debentures are fully convertible.
- D. None of these.

Answer: b

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171. Once the debentures are redeemed, amount of Debenture Redemption Reserve (DRR) is transferred to

- A. Capital Reserve.
- B. Surplus ie Balance in Statement of profit and Loss.
- C. General Reserve
- D. Capital Redemption Reserve.

Answer: c

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172. Anmol Ltd. Is to redeem 10,000 8 % Debentures of Rs.100 each at a premium of Rs.10 Amount that should be set aside to Debenture Redemption Reserve (DRR) is

- A. Rs.2,50, 000.
- B. Rs.10,00,000.
- C. Rs.11,00,000.
- D. None of these.

Answer: a



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173. Rattan Ltd. Is to redeem 10,000 ,8 % Debentures of Rs. 100 each at a premium of Rs. 10 out of profit . Amount that should be should be set aside to Debenture Redemption Reserve (DRR) is

A. Rs.2,50, 000.

B. Rs.10,00,000.

C. Rs.11,00,000.

D. None of these.

Answer: c

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174. Anmol Rattan Ltd. Is to redeem 10,000,8 % Debentures of Rs.100 each at a premium of Rs.10 out of profit. Amount tht should be invested in Debenture Redemption Investment is

A. Rs.1,50,000.

B. Rs.1,65,000.

C. Rs.3,15,000.

D. None of these.

Answer: a



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175. H & S Ltd. Has outstanding 10,000 8% Debentures of Rs.100 each that are redeemable at premium of Rs.10 each Out of these, 5,000 debentures are to be redeemed on 31st December , 2018. Debenture Redemption Reserve should be

A. Rs.1,37,500.

B. Rs.1,25,000.

C. Rs.2,50,000.

D. Rs.2,75,000.

Answer: c



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176. G & S Ltd . Has outstanding 10,000, 8 % Debentures of Rs.100 each that are redeemable at premium of Rs. 10 each . Out of these , 5,000 debentures are to be redeemed on 31st December , 2018 debenture Redemption Investment should be

A. Rs.75,000.

B. Rs.82,500.

C. Rs. 1,50,000.

D. Rs.1,65,000.

Answer: a



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177. Arpit Ltd. Is to redeem its debentures of nominal (face) value Rs.2,20,000 each on 30th june, 2018, 30th September , 2018 ,31st December , 2018 and 31 st March , 2019. The amount to be innvested in Debenture Redemption investment on before 30th April ,2019 should be

A. Rs.37,500.

B. Rs.1,50,000.

C. Rs.2,50,000.

D. Rs.10,00,000.

Answer: a



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178. Anurag Ltd. Is to redeem its debentures of nominal (face) value Rs.2,50,000 each on 30th September , 2018, 31st December , 2018 ,31st March , 2019 and 30th June, 2019. the amount to be invested in Debenture Redemption Investment on or before 30th April , 2018 should be

A. Rs.37,500.

B. Rs.1,50,000.

C. Rs.2,50,000.

D. Rs.1,12,500.

Answer: d



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179. Vikas Bank Ltd . Has outstanding 50,000, 5 % Debentures of Rs.100 each redeemable at a premium of Rs.10 each . These debentures are to be redeemed . Amount that will be set aside out of profits to Debenture Redemption Reserve is

- A. Rs.50,00,000.
- B. Rs.12,50,000.
- C. Rs.25,00,000.
- D. Nil

Answer: d



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180. UTI Bank Ltd. Has outstanding 50,000, 5% Debentures of Rs. 100 each redeemable at a premium of Rs.10 each . These debentures are to be redeemed . Amount that should be invested in Debenture Redemption Reserve is

A. Rs.7,50,000.

B. Rs.5,00,000.

C. Rs.50,000.

D. Nil

Answer: d



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181. Home Store Ltd . Has redeem 50 ,000 , 8% Debentures of Rs.100 each on 30th june , 2019 , It should have a balance of Rs.12,50,000. in Debenture Redemption Reserve . It decides to aside amount to Debenture Redemption Reserve on 31 st March , 2019 on which date it has following

reserve:

	Rs.
Capital Reserve	6,00,000
Debenture Redemption Reserve	2,50,000
General Reserve	1,00,000
Surplus ie Balance in Statement of Profit and Loss	3,00,000

How much further amount it needs to set aside to Debenture Redemption Reserve and how much it can set aside out of the above reserves and surplus ?

- A. Rs.10,00,000.
- B. Rs. 10,00,000 and Rs.6,50,000.
- C. Rs.10,00,000 and Rs. 4,00,000.
- D. Rs. 10,00,000. and Rs.90,00,000.

Answer: c



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182. Cross Roads Ltd. Has to redeem 50,000 , 8 % Debentures of Rs.100 each on 30 th june , 2019, It should have a balance of Rs.12,50,000 in

Debenture Redemption Reserve , It decides to set aside amount to Debenture Redemption Reserve on 31 st March , 2019 on which date it has following reserve:

	Rs.
Capital Reserve	6,00,000
Debenture Redemption Reserve	2,50,000
General Reserve	1,00,000
Surplus, i.e, Balance in Statement of Profit and Loss	3,00,000

How much further amount it needs to set aside to Debenture Redemption Reserve and how much it can set aside out of the above reserves and surplus?

- A. Rs.12,50, 000 and Rs.6,50,000
- B. Rs. 12,50,000 and Rs.4,00,000.
- C. Rs.12,50,000 and Rs.5,50,000.
- D. Rs.12,50,000 and Rs.12,50,000.

Answer: a



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183. Money Received Against Share Warrants is shown as

- A. Shareholders' Funds.
- B. Other Long- term Liabilites.
- C. Long - term Provisions.
- D. Other Current Liabilities.

Answer: a



View Text Solution

184. Surplus , i.e., Balance in Statement of Profit and Loss in shown as

- A. Share Capital.
- B. Reserves and Surplus.
- C. Other Long - term Liabilities.
- D. None of these.

Answer: b



[View Text Solution](#)

185. Patens and Trademarks are example of

- A. Intangible Fixed Assets.
- B. Tangible Fixed Assets.
- C. Intangible Assets Under Development.
- D. Capital Work - in Progress.

Answer: a



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186. Identify the which is not a part of Shareholders' Funds :

- A. Share Application Money pending Allotment

B. Share Capital

C. Reserves and Surplus

D. Money Received against Share Warrants.

Answer: a



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187. From the given items which is not shown under Current Liabilities :

A. Trade Payables

B. Short- term Provisions

C. Short - term Borrowings

D. Inventories

Answer: c



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188. The important objective of financial analysis is

- A. To determine liquidity (short - term Solvency , and Long - term Solvency).
- B. To determine operating efficiency and profitability.
- C. To compare intra - firm position and to compare inter - firm position.
- D. All of the above.

Answer: d



[View Text Solution](#)

189. Financial Analysis can be used for

- A. Securities Analysis.
- B. Credit Analysis.

C. Dividend Decisions.

D. All of these.

Answer: d



[View Text Solution](#)

190. The purpose of analysis of financial statements for short - term creditors is

A. To determine whether their dues will be paid when due.

B. To determine whether their principals and the interest thereon will be when due.

C. To determine whether they should buy the shares.

D. None of the above.

Answer: a



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191. Which analysis is considered as dynamic?

- A. Horizontal Analysis
- B. Vertical Analysis
- C. Internal Analysis
- D. External Analysis

Answer: a



View Text Solution

192. Which analysis is considered as static?

- A. Horizontal Analysis
- B. Vertical Analysis
- C. Internal Analysis
- D. External Analysis

Answer: b



[View Text Solution](#)

193. Financial Analysis is significant for

- A. Investores.
- B. Bankers and Lenders.
- C. Employees and Management .
- D. All of these.

Answer: d



[View Text Solution](#)

194. Following analysis is based on one year's data :

- A. Horizontal Analysis

B. Vertical Analysis

C. External Analysis

D. Intra - firm Analysis

Answer: b



[View Text Solution](#)

195. Which of the following is not a limitation of Financial Statement Analysis ?

A. Ignores the Qualitative Elements

B. Not free from personal bias

C. Intra - firm comparison

D. Ignores the price level changes

Answer: c



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196. Comparison of actual values of one firm with those another firm belonging to the same industry is

- A. Inter- firm Comparison.
- B. Intra- firm Comparison.
- C. Pattern Comparison.
- D. None of these.

Answer: a



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197. Comparison of actual values of one period with those of another period for the same firm is

- A. Inter- firm Comparison.
- B. Intra- firm Comparison.

C. Pattern Comparison.

D. None of these.

Answer: b



[View Text Solution](#)

198. While preparing Common - size Income Statement , each item of Income Statement is expressed as % of

A. Revenue from Operations.

B. Other income.

C. Total Income.

D. Profit before Tax.

Answer: a



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199. While preparing Common - size Balance , each item of Balance Sheet is expressed as % of

- A. Current Assets.
- B. Non - current Assets.
- C. Non - current Liabilities.
- D. Total Assets.

Answer: d



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200. Under which tool of financial analysis, 100 % is taken as base and all other related figures are expressed as a percentage of base?

- A. Comparative Statement.
- B. Common - size Statement.
- C. Ratio Analysis.

D. None of these.

Answer: b



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201. Which technique of financial analysis shows a comparative study of items or components of financial statements for two or more years?

A. Common - size Statement.

B. Ratio Analysis.

C. Comparative Statement.

D. None of these.

Answer: c



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202. Which one of the following is tool of financial analysis ?

- A. Comparative Statement.
- B. Common - size Statements.
- C. Cash Flow Statement
- D. All of these.

Answer: d



View Text Solution

203. Young India Ltd. Has a Operating Profit Ratio of 20 % . To maintain this ratio at 25 % management may

- A. Increase selling price of stock - in trade.
- B. Reduce Cost of Revenue from Operations.
- C. Increase selling price of stock - in Trade and to reduce Cost of Revenue from Operations.

D. All of the above.

Answer: d



[View Text Solution](#)

204. A transaction involving a decrease in Debt - Equity Ratio and increase in Current Ratio is

- A. Issue of Debentures against the purchase of fixed assets.
- B. Issue of Debentures for cash.
- C. Redemption of preference shares for cash.
- D. Issue of shares for cash.

Answer: d



[View Text Solution](#)

205. Current Ratio is 2:1 . On the sale of fixed asset (Book value Rs. 20,000) for Rs. 18,000, state whether the Current Ratio will

- A. Improve.
- B. Decline.
- C. Will not change.
- D. Can't say.

Answer: a



[View Text Solution](#)

206. If opening inventory is Rs. 1,20,000, Cost of Revenue from Operations is Rs.10,00,000. and Inventory Turnover Ratio is 5 Times , then Closing Inventory will be

- A. Rs.3,20,000.
- B. Rs.2,80,000.

C. Rs.1,60,000.

D. Rs.4,00,000.

Answer: b



[View Text Solution](#)

207. A transaction involving a decrease in both Current Ratio and Quick Ratio is

A. Sale of Non - current Asset for cash.

B. Sale of stock- in Trade at loss.

C. Cash payment of a Current Liability.

D. Purchase of stock - in Trade on credit.

Answer: d



[View Text Solution](#)

208. If Current Ratio of a firm is 2.5 :1 and its Current Liabilities are Rs.2,00,000. Its Working Capital will be

A. Rs.3,00,000.

B. Rs.3,75,000.

C. Rs.4,00,000.

D. Rs.7,00,000.

Answer: a



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209. Non - current Assets of a firm are Rs. 26,00,000. , Current Assets are Rs.9,00,000 and Shareholders Funds' are Rs.21,50,000. total debts of the firm will be

A. Rs.43,50,000.

B. Rs.13,50,000.

C. Rs.21,50,000.

D. Rs.38,50,000.

Answer: b



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210. Sincere Ltd. Has a Proprietary Ratio of 25 % . To maintain this ratio at 30 % management may

A. Increase Equity.

B. Reduce Debt.

C. Increase Equity and Reduce Debt.

D. All of these.

Answer: d



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211. Working Capital is Rs.7,20,000, Trade payables Rs.40,000, Other Current Liabilities Rs.2,00,000, Calculate Current Ratio.

A. 3:1

B. 4:1

C. 5:1

D. 7:1

Answer: b



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212. Current Assets are Rs. 4,00,000, Inventories Rs. 2,00,000 , Working Capital Rs.2,40,000 Calculate Current Ratio

A. 2.5:1

B. 1:1

C. 2:1

D. 1:2

Answer: a



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213. Which ratio is not a part of Solvency Ratio?

A. Current Ratio

B. Debt to Equity Ratio

C. Total Assets to Debt Ratio

D. Proprietary Ratio

Answer: a



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214. If Total Assets are Rs.1,25,000. Total debt , i.e., external debts are Rs. 1,00,000. and Current Liabilities are Rs.50,000 , Debt - Equity Ratio will be

A. 1 : 1

B. 1 : 2

C. 2 : 1

D. None of these.

Answer: c



[View Text Solution](#)

215. From the following , which ratio is not a part of Activity Ratio:

A. Inventory Turnover Ratio

B. Trade Receivables Turnover Ratio

C. Working Capital Turnover Ratio

D. Debt to Equity Ratio.

Answer: d



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216. From the following , which formula is correct for computing Gross Profit Ratio :

A. $\frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100.$

B. $\frac{\text{Revenue from Operations}}{\text{Gross Profit}} \times 100.$

C. $\frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100.$

D. None of these.

Answer: c



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217. If Revenue from Operations is Rs.1,60,000 and Gross Profit is Rs.40,000 , Gross Profit will be

A. 30 %

B. 25 %

C. 40 %

D. 50 %

Answer: b



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218. From the following , which formula is correct computing Operating

Ratio :

A. $\frac{\text{Operating cost}}{\text{Revenue from Operations}} \times 100.$

B. $\frac{\text{Revenue from Operations}}{\text{Operating cost}} \times 100.$

C. $\frac{\text{Operating cost}}{\text{cost of Revenue from Operations}} \times 100.$

D. None of these.

Answer: a

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219. Revenue from operations Rs.9,00,000. Gross Profit 25 % on Cost , Operating Expenses Rs.90,000. Operating Ratio will be

A. 100 %

B. 50 %

C. 90 %

D. 10 %

Answer: c

 [View Text Solution](#)

220. Calculate Operating Profit Ratio If from Operations is Rs.5,00,000 . Operations Profit is Rs.75,000.

A. 25 %

B. 12 %

C. 13.33 %

D. 15 %

Answer: d



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221. From the following , which ratio is not a part of Profitability Ratio :

A. Liquid Ratio

B. Gross Profit Ratio

C. Operating Ratio

D. Net Profit Ratio

Answer: a



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222. From the following information , calculate Proprietary Ration : Share Capital Rs. 5,00,000. , Non - Current Assets Rs. 22,00,000, Reserves and Surplus Rs. 3,00,000. Current Assets Rs.10,00,000.

- A. 100 %
- B. 70 %
- C. 40 %
- D. 25 %

Answer: d



[View Text Solution](#)

223. Dividend received by other than financial enterprise is shown in cash Flow Statement under

- A. Operating Activities.
- B. Investing Activities

C. Financing Activities.

D. None of these.

Answer: b



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224. Dividend received by other than financial enterprise is shown in cash

Flow Statement under

A. Operating Activities.

B. Investing Activities

C. Financing Activities.

D. None of these.

Answer: a



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225. Payment of Income Tax is shown as

- A. Operating Activities.
- B. Investing Activities
- C. Financing Activites.
- D. None of these.

Answer: a



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226. Dividend paid by a financial company is shown as cash outflow under

- A. Operating Activities.
- B. Investing Activities
- C. Financing Activites.
- D. Cash and Cash Equivalent.

Answer: c



[View Text Solution](#)

227. Dividend paid by a non - financial company is shown as

- A. Operating Activities.
- B. Investing Activities
- C. Financing Activities.
- D. Cash and Cash Equivalent.

Answer: c



[View Text Solution](#)

228. Which of the following is Shown under Financing Activity?

- A. Interest paid

B. Commission Received

C. Cash received against sale of goods

D. Cash paid for purchase of goods.

Answer: a



[View Text Solution](#)

229. Which of the following is not part of cash Equivalents?

A. Cash at Bank

B. Current Investments

C. Marketable Securities

D. All of these.

Answer: d



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230. Which of the following is not part of cash and cash Equivalents?

- A. Inventories
- B. Current Investments
- C. Short - term Deposits
- D. Marketable Securities

Answer: a



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231. Which of the following is not added as non - cash Expense?

- A. Goodwill amortised
- B. Depreciation
- C. Interest on debentures paid
- D. All of these.

Answer: c



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232. ABC Ltd. has Machinery written down value of which on 1st April, 2018 was Rs. 8,60,000 and on 31st March, 2019 was Rs. 9,50,000. Depreciation for the year was Rs. 40,000. In the beginning of the year, a part of machinery was sold for Rs. 25,000, which had a written down value of Rs. 20,000. Calculate Cash Flow from Investing Activities.

- A. Rs. 1,25,000
- B. Rs. (1,25,000)
- C. Rs. 2,50,000.
- D. Rs. (2,50,000)

Answer: b



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233. Refer to Q. 10 calculate Gain (profit) on sale of Machinery.

A. Rs.6,000.

B. Rs.5,000.

C. Rs.10,000.

D. None of these.

Answer: b



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234. Refer to Q. 10 calculate the amount of purchase of Machinery.

A. Rs.1,50,000.

B. Rs.3,00,000

C. Rs.4,50,000

D. Rs.50,000.

Answer: a



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235. Exe Ltd. Has balance in Provision for Tax Account of Rs. 50,000 as on 31st March , 2018 and 2019 respectively . It made a provision for tax during the year of Rs. 65,000. the amount of tax paid during the year was

A. Rs.50,000.

B. Rs.60,000.

C. Rs.40,000.

D. None of these.

Answer: c



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236. Which of the following is not a Non - Cash Transaction?

A. Depreciation

B. Issue of Bonus Shares

C. Issue of Equity Shares for consideration than cash

D. Payment of Wages

Answer: d

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237. From the following which one is a Non - Cash transaction :

A. Depreciation

B. Interest paid

C. Purchase of Machinery

D. Issue of shares

Answer: a

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238. Adjustment for Proposed Dividend is :

- A. Add previous year ' proposed dividend under net profit before tax and extra - ordinary items and deduct it under Financing Activity.
- B. Add current year's proposed dividend under net profit before tax and extraordinary items and deduct previous year's proposed dividend Financing Activity.
- C. Add current year's proposed dividend under Net profit before tax and Extraordinary Items and deduct current year's proposed dividend under Financing Activity.
- D. None of these.

Answer: a



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239. Buy back of shares is an extra - ordinary item for

- A. Operating Activities.
- B. Investing Activities
- C. Financing Activities.
- D. Cash and Cash Equivalents.

Answer: c



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240. Voluntary retirement compensation paid to employees Example of extraordinary item for

- A. Operating Activities.
- B. Investing Activities
- C. Financing Activites.
- D. Cash and Cash Equivalents.

Answer: a



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241. Dolphin Ltd. Reaned profit of 5,00,000. on sale of fixed asset which was credited to Statement of Profit and Loss . In preparing Cash Flow Statement . Rs.5,00,000 will be

- A. added to net profit before tax and extraordinary items.
- B. deducted from net profit before tax and extraordinary
- C. deducted from net profit before tax and extraordinary shown as extraordinary item under Operating Activity.
- D. None of the above.

Answer: b



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242. Loss on sale of Marketable Securities debited to Statement of Profit Loss will

- A. be added to net profit before tax and extraordinary items and reduced from Cash and Cash Equivalents.
- B. be deducted from net profit before tax Extraordinary Items and added to Cash and cash Equivalents.
- C. not be adjusted.
- D. None of the above.

Answer: c



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243. GSC Ltd. Purchase machinery of Rs.10,00,000 issuing cheque of Rs.2,50,000 and 10% Debentures of Rs.7,50,000 . In the Cash Flow Statement , the transaction will be shown as

- A. Outflow under Investing Activity Rs.10,00,000 , inflow under Financing Activity as Receipt for Debentures Rs.7,50,000.
- B. Outflow under Investing Activity Rs.2,50,000.
- C. Inflow of Rs.7,50,000. as Financing Activity.
- D. None of these.

Answer: b



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244. Angel Ltd. , a stock broker , purchased 5,000 shares of Tata Housing Ltd. It is

- A. Operating Activity.
- B. Investing Activity.
- C. Financing Activity.
- D. None of these.

Answer: b



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245. Mian Bank Ltd . Issued 1,00,000 , 9 % Debentures of Rs.100 each for subscription . Issue was subscribed . The amount of receipt will be shown as

- A. Operating Activity.
- B. Investing Activity.
- C. Financing Activity.
- D. None of these.

Answer: c



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246. Decount/ Loss on Issue of Debentures debited to Statement of Profit and Loss (Finance Cost) is

- A. added under Operating Activities and Debentures are shown as Financial Activities at net amount received.
- B. added under Operating Activities and Debentures are shown as Investing Activities at net amount received.
- C. deducted under Operating Activities and shown as inflow under Financing Activities.
- D. None of the above.

Answer: a



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